

Answers to Commonly Asked Questions For Corporations Incorporated or Qualified in California

My corporation has ceased doing business. Why are you requesting a tax return?

We have received income information from federal tax returns, the Board of Equalization, Employment Development Department, and/or other income sources, which indicates that your corporation has California business activities. ***Even if a corporation has ceased doing business, it must formally dissolve or withdraw with the Office of the Secretary of State to terminate its legal existence.*** In order to dissolve, the corporation must:

- File tax returns for all delinquent tax years.
- Pay all outstanding tax liabilities, penalties, interest and other amounts due.
- Complete FTB Form 3555, Assumption of Tax Liability/Request For Tax Clearance Certificate Supplement Information.
- Comply with the provisions set forth by the Office of the Secretary of State.

For additional information, refer to FTB Pub. 1038 (enclosed), Guide for Corporations Dissolving, Surrendering (Withdrawing) or Merging. In addition, the corporation's contracts may be voided by R&TC 23304.1 and 23305.1 if no final return is filed.

My corporation had no income or operated at a loss for the year in question. Is a California franchise tax return and tax still due?

Even if the corporation is inactive or operates at a loss, corporations subject to the franchise tax must annually file a California Corporation Franchise Tax Return (Form 100), or California S-Corporation Franchise Tax Return (Form 100S), and pay at least the minimum franchise tax until the corporation dissolves or withdraws.

This business is no longer a corporation, it is a sole-proprietorship. Why is a corporation tax return needed?

A corporation continues to exist until it legally dissolves. If a corporation wants to become a sole-proprietorship, it must dissolve first. Once the dissolution is complete, a personal tax return showing the business income and expenses must be filed.

Our corporation is suspended. How do we reinstate to good standing?

To be revived/reinstated to good standing, a corporation must comply with the following requirements:

- File tax returns for all delinquent tax years.
- Pay all outstanding tax liabilities, penalties, interest and other amounts due.
- File an Application for Revivor (FTB Form 3557) and/or Exemption (FTB Form 3500).
- Refer to R&TC 23304.1 and 23305.1 for Contract Voidability information.

Is there a way of getting an extension of time to respond to this Demand Notice FTB 4663-M?

We cannot grant an extension of time to respond to this notice.

For additional information or to order tax forms and publications, call our toll-free number 1-800-852-5711 or visit our internet site at (<http://www.ftb.ca.gov>).